Ogden Air Logistics Center

U.S. AIR FORCE

The 2nd Landing Gear Commodity Council Industry Day

14 April 2004

BE AMERICA'S BEST

Agenda

0800	Registration	
0900	Welcome	Mr Mike Gill
	Mr Ron Howe	
0915	Proposed Strategy	Maj Kolch
1015	Small Business View	Dennis Powell
1045	Spiral 3 Overview	Steve Weiss
1115	Small Business Affiliation	Lyman Kano
1200	Lunch	
1300	Spiral 3 Detailed Discussion	Steve Weiss
1500	Closing	Maj Kolch

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Proposed Strategy

Maj Kurt Kolch
OO-ALC/LGHL

Overview

- View from the top
- Principles of PSCM
- Commodity Council Strategy Approval Process
- Landing Gear Proposed Strategy & Goals

We Must Transform the Way We Conduct Our Business!

If the Department of Defense is to stay prepared for the security challenges of the 21st century, we must transform not just our defense strategies, not just our military capabilities, not just the way we deter and defend—but we must also transform the way we conduct our business.

Secretary of Defense Donald H. Rumsfeld
June 4, 2003

Transformation is not a choice – it's inevitable!

Our Commitment to Transformation

We have to first admit that we are in ruts. We are in stovepipes. We have been taught to think one way. We have been taught to defend our prerogatives.

We've got to break out of that… we've got to be prepared to bust bureaucracies.

General John P. Jumper
Chief of Staff, U.S. Air Force

There is a lot of talk about transformation out there today…

It is not just all about technology; it is about relationships. It is about the commitment of our people to do things in new and different ways.

General John P. Jumper
Chief of Staff, U.S. Air Force

How PSCM Will Affect You

Transformation will not be easy. Future processes will require new roles, skills, ways of functioning and thinking. It will also require changes to policies, authorities, organizational constructs and skills sets.

General Gregory S. Martin, Commander AFMC

Memo to Sustainment Transformation Sponsors

December 24, 2003

Seize the Opportunities!

You have a choice: you can either create your own future, or you can become the victim of a future that someone else creates for you.

By seizing the transformation opportunities, you are seizing the opportunity to create your own future.

Arthur Cebrowski
USN Vice Admiral, Retired
Chief of DoD's Office of Force Transformation

Principles Of PSCM

PSCM is the integration of purchasing and supply processes into a single end-to-end enterprise process that reduces supply chain operating costs and improves warfighter readiness

The Purchasing component focuses on building processes for Strategic Sourcing and Supplier Management

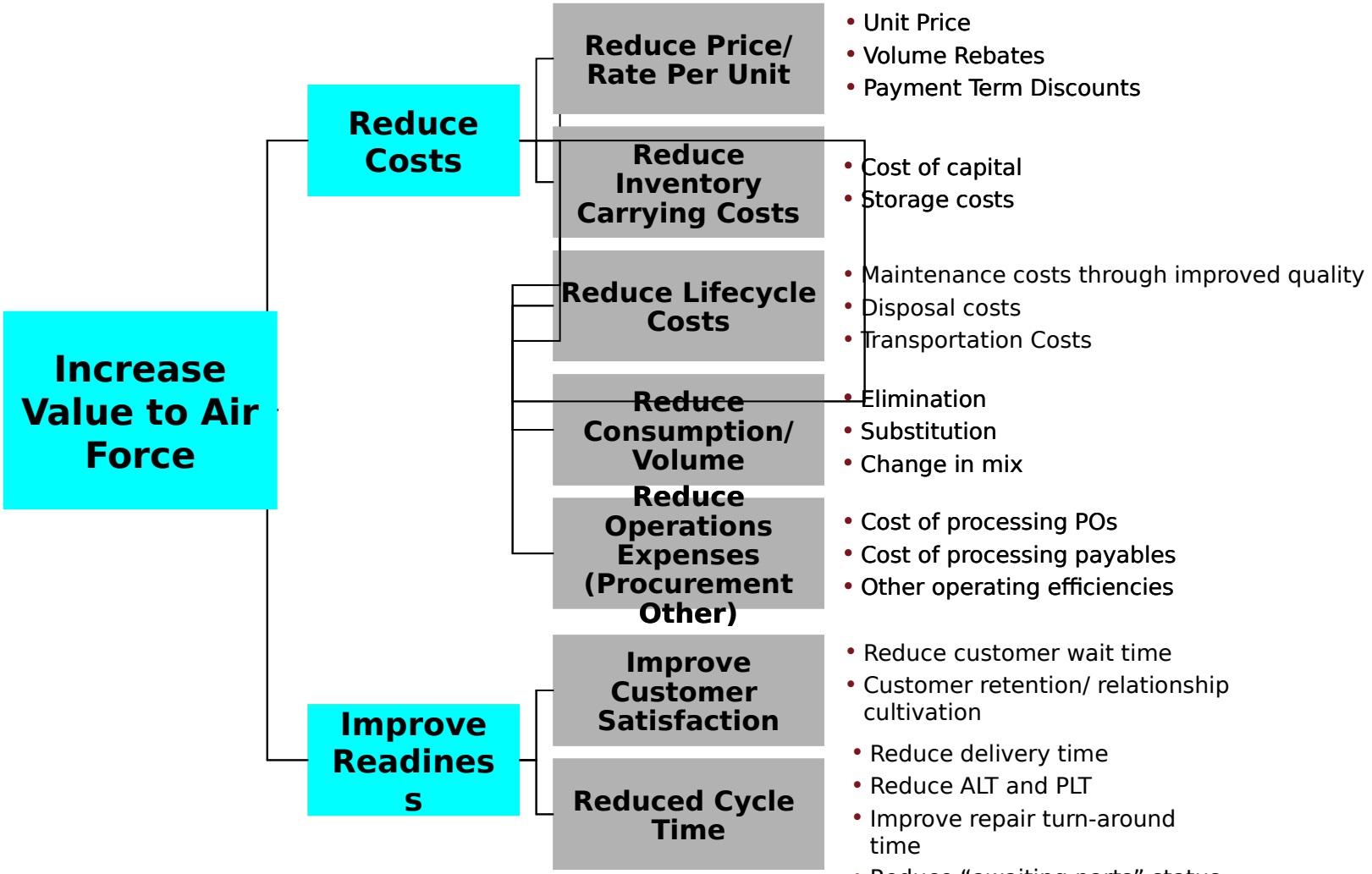
- **A strategic center-led approach to purchasing**
  - Commodity focused strategy and sourcing perspective with robust governance
  - Leverage spend, performance, and total supply chain costs
  - Performance based contracts/catalogs and decentralized ordering
- **On-going analysis of external market drivers**
- **Proactive supply base development and management; alliances with critical suppliers**

Principles Of PSCM

The Supply Chain component enables integration and collaboration among Customers, Suppliers and the AFMC

- **Management of the end-to-end supply chain**
- **Demand analysis and forecasted requirements integrated with supplier capacity planning**
- **Collaboration with suppliers and customers to develop an integrated demand plan**
- **Managing outsourced functions critical to supply chain responsiveness**
- **Creating an environment where data is accurate and timely**
- **Reduction in cycle times**
- **Linking cost management with supply chain decision making**

Potential Benefits



We Must Change

- **Cannot accomplish goals with business as usual**
- **Brainstorming options**
- **Simply creating long-term contracts for each item does not maximize value**
- **Ambition to emulate how industry creates partnership arrangement with their suppliers to improve price, quality, delivery and services**

Strategy Approval Process

- **Approval Process**
  1. **Review commodity**
  2. **Develop strategy to source commodity**
  3. **Gain approval of strategy from Material Governance Board (AFMC/LG/PK, ALC/LG/PK)**
  4. **Gain approval for each contract from appropriate level**
- **Briefed summary of proposed strategy to:**
  - **OO-ALC/CC/LG/PK/MA/SB/JA**
  - **SAF/IE**
  - **SAF/AQC**

Proposed Strategy

- **All Landing Gear requirements on long-term contracts**
  - **Spiral 1: Add to Honeywell corporate contract for sole source items plus more Goodrich & ABS**
    - **Possible step 1a would use Boeing corp contract**
  - **Spiral 2: Create long-term contracts with sole source providers of FSC 1630 items**
  - **Spiral 3: Create long-term agreements for the other FSC 1620 and 1630 items (more details to follow)**
  - **Spiral 4: Enhance agreements for FSC 2620, tires**
  - **Spiral 5: Investigate all other items managed in Landing Gear; determine best options for management**
  - **Spiral 6: Enhance all existing strategic contracts**

Council Goals & Objectives

- Reduce acquisition cycle times, ALT & PLT leading to customer wait time
  - Implement e-business practices
- Reduce MICAPs
- Improve forecast
  - Serialize all reparable parts
  - Create database of parts
  - Collaborate forecast with suppliers
- Implement performance based logistics & measurements
  - Improving delivery cycle, quality, life cycle, cost
  - Inventory management, direct delivery

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CONTRACT BUNDLING

FAR 2.101(b)
FAC 2001-17

Mr Dennis Powell

DEFINITION

- **FAR 2.101**
  - **“Bundling” is consolidation of 2 or more requirements, previously performed under separate smaller contracts, into a single contract that is not suitable for performance by a small business.**

DEFINITIONS Cont.

- **Separate smaller contract: a contract that has been performed by one or more small business concerns, or that was suitable for award to one or more small businesses**

- **Single contract: Multiple awards of indefinite-quantity contract under -**
  - **Federal Supply Schedule or**
  - **Task-order contract or delivery-order contract**

Reasons for Bundling

- The diversity size or specialized nature of the elements of the performance specified
- Aggregate dollar value of the award
- Geographical dispersion of the contract performance sites; or
- Any combination of the factors described above

Legal Requirements

- **The Small Business Reauthorization Act of 1997 requires each federal department to (the maximum extent practicable):**
  - **Structure contracting requirements to facilitate competition by and among small business concerns, taking all reasonable steps to eliminate obstacles to their participation…**
  - **Avoid unnecessary and unjustified bundling that may preclude small business participation as prime contractors.**

Small Business set-aside

- **If there are not enough qualified small business prime contractors and/or teaming arrangements, full and open competition will be considered.**
- **Measurable substantial benefits would need to be addressed before soliciting as full and open.**

SUMMARY

Successful Teaming among small business concerns would eliminate the bundling rule

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OO-ALC Landing Gear Contracting Strategy

14 April 2004

Stephen Weiss

Overview

- Requirements & spend
- Goals
- Benchmarking
- Strategic Sourcing Contracts
- What to do?
- Strategic Contracts Defined
- Streamlined, multiple award (MA) contracts defined
- Benefits
- Predominate MA advantages
- Multiple award disadvantages

Overview

- Tactical contract benefits
- Multiple award, ID/IQ, streamlined SB set aside
- Opportunity
- Expectations
- Strategy
- Market research, Industry Involvement
- Sub team & qualification
- How will contracts be awarded
- Weighting evaluation criteria
- We want to compete, now what?

Overview

- Basic contract award process
- Delivery order award process
- Conclusions/Recommendations

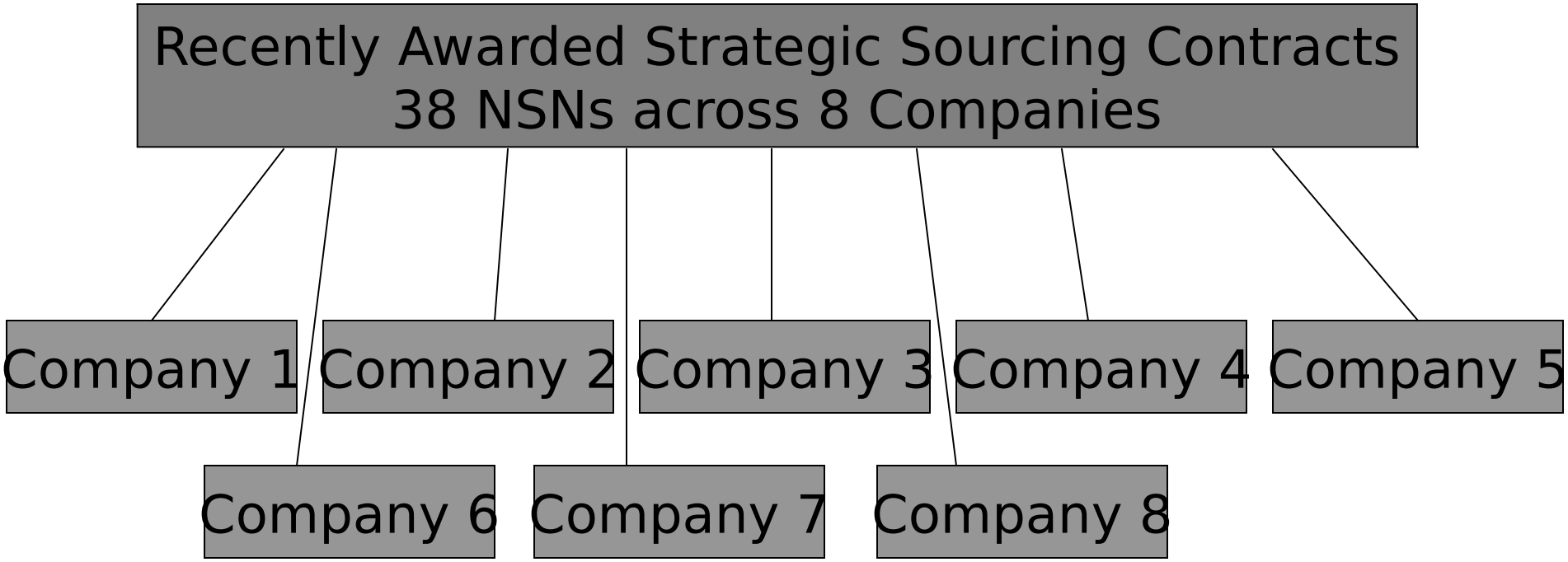
Requirements & Spend

- **1620 & 1630 FSC's not on contract**
- **Estimated 5 year contract Air Force floor & ceiling amounts:**
  - **Amount based on forecast: $227M**
  - **Amount based on actual spend: $500M**
- **Additional DLA dollars: TBD**

Goals

- **Commodity Council goals include:**
  - **Improved weapon system availability**
  - **Lower cost**
  - **Improve quality**
  - **Reduce delivery time**
  - **Better customer and supplier relations**
  - **Improve customer and warfighter support**
- **Significant improvements will not be achieved by business as usual**
- **New contracting strategies are necessary**

Strategic Sourcing Contracts for Selected Cylinders and Pistons



What to Do?

- **Some choices available:**
  - **Continue more of the same (tactical contracts)**
  - **Corporate contracts**
  - **Strategic contracts issued for initial requirements w/capability to add additional items as needed**
  - **Strategic contracts awarded by NSN groupings**
  - **One big RFP w/split awards to multiple sources for all non-awarded NSN's**
  - **Multiple award, ID/IQ, streamlined acquisition contract**

Strategic Contract Defined

- **The selection of sources to serve the strategic goals of the Air Force. Strategic sources (SS) are selected for their ability to work with the Air Force and other contractors to accomplish common goals.**

- **Strategic contracts are normally:**
  - **Long term**
  - **Holistic view of commodity**
  - **Partnerships**
  - **Collaborative w/sharing of information**

Streamlined MA Contracts Defined

- **What is a MA contract (K)?**
  - **Contract for task & D.O. K's for the same or similar supplies or services to more than one company**
- **What is different about MA K's?**
  - **Federal Acquisition Streamlining Act (FASA)**
  - **Broad statements of work**
  - **Deletion of public notice**
  - **Limits protest to scope, period or max. $ value**
  - **Fair opportunity to be considered over $2,500**
  - **Congress established a general preference for MA**

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SMALL BUSINESS AFFILIATIONS

14 April

Lyman Kano
SBA

AFFILIATION

- **DEFINITION – 13 CFR 121.103**
  - **CONCERNS ARE AFFILIATES OF EACH OTHER WHEN ONE CONCERN CONTROLS OR HAS THE POWER TO CONTROL THE OTHER, OR A THIRD PARTY OR PARTIES CONTROLS OR HAS THE POWER TO CONTROL BOTH.**

    It arises where one or more officers, directors or general partners controls the board of directors and/or the management of another concern.

EXCLUSION FROM AFFILIATION: 13 CFR 121.103 (f)

A teaming arrangement of two or more business concerns may submit an offer as a small business for a federal procurement without regard to affiliation under this paragraph (f) so long as each concern is small under the size standard corresponding to the NAICS code assigned to the contract (336413 – 1000 employees).

SMALL BUSINESS TEAMING ARRANGEMENTS

- **A group of small businesses through a teaming arrangement who submit a proposal.**

1. **The team must perform 50 percent of the labor costs throughout the life of the contract.**
2. **Integrator will be responsible for organizing the team and must be a small business.**
3. **Contract will be awarded to the integrator.**
4. **Integrator must maintain control of the management of the contract.**

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OO-ALC Landing Gear Contracting Strategy

14 April 2004

Stephen Weiss

Benefits of SS & M A Contracts

- Advantages Inherent to both SS and Multiple Award Contracts over Tactical Contracts:
  - Permanently reduced administrative lead time (ALT)
  - One time ALT inventory pipeline savings
  - Early industry involvement
  - Reduced contract generation requirements for contractors and government
  - Labor reduction potential of 50% or greater for both government and contractors
  - Reliable business base for a stated period of time
  - On-going savings in reduced storage costs

Benefits of SS & M A Contracts (Cont:)

- Permanent enhanced support for warfighter
- Vehicle to quickly obligate end-of-year & fall-out dollars
- Potential reduction in cost resulting from volume discounts
- Increase in on-time delivery
- Decrease in safety stock-outs due to shortened procurement cycle
- Fewer cannibalizations
- Improved maintenance cycle times
- Fewer emergency procurement actions

Predominate or Unique MA Acq Advantages

- **Greatest incentive for:**
  - **Lowest cost**
  - **Improved quality**
  - **Reduced production lead-time (PLT)**
  - **One time pipeline inventory savings**
  - **Improved relations – government and contractors**
  - **Follow-on award (D.O.) incentive to perform**
  - **Contract admin & resolution of contracting issues w/incentives, not legal recourse**
  - **Fewer contracts to administer – 6 vs. avg. of 288 yr.**
  - **Fewer contractors to administer – 6 vs. approx 115**
  - **Opportunity to work w/ suppliers to improve performance**
  - **Increased ability to influence contractor performance**

Predominate of Unique MA Acq Advantages (Cont:)

- Rapid use of alternative sources
- Competition – limited to several, not many bites of the apple -majority of items awarded long term during basic K award
- Linkage of sole source K performance with K performance of competitive items
- Exceeding socio-economic goals, particularly when a small business set-aside
- Sustainable protests very limited after award of basic contract
- Customer satisfaction
- Reduction of inspections and rejections
- Prime contractors providing a representative to Hill AFB

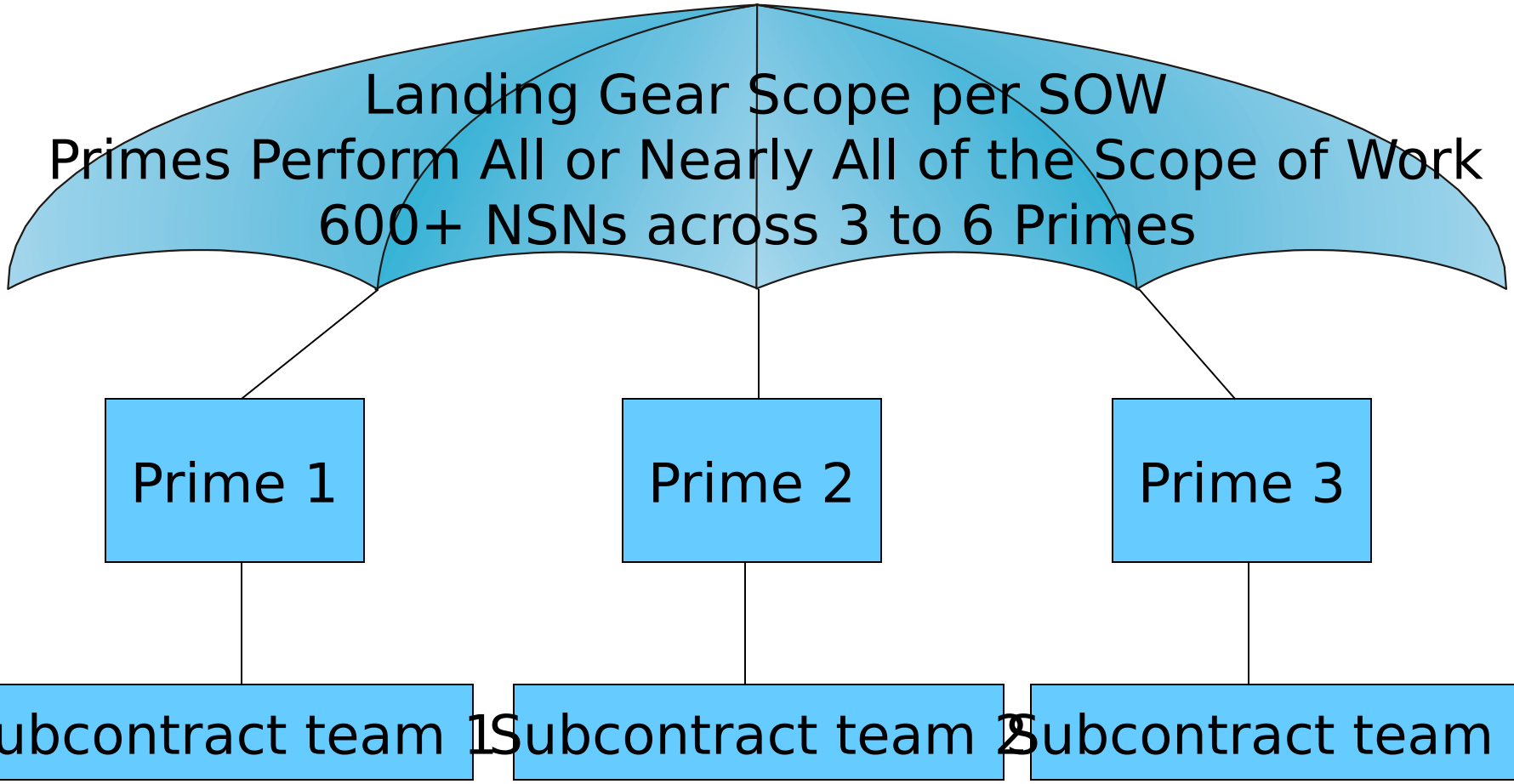
Multiple Award Disadvantages

- Prime contractor overhead rates
- Replaces some primes as subs
- Basic contract award anticipated to be a minimum of nine months

Tactical Contract Benefits

- **Unique Tactical Contract Advantages**
  - **Permits award to contractors not on a strategic or multi-award contract**
  - **Easier to award on a one-time basis**

Multiple award, IDIQ, streamlined, small business set-aside


Landing Gear Scope per SOW
Primes Perform All or Nearly All of the Scope of Work
600+ NSNs across 3 to 6 Primes
Prime 1
Prime 2
Prime 3
Subcontract team 1
Subcontract team 2
Subcontract team 3

Opportunity

- We provide a fair SB opportunity for prime award
- You position yourself to be a prime or a sub
- Fewer but longer term contracts
- More award $ flowing to fewer suppliers

Expectations

- **Meet stated goals as follows (notional):**
  - **Cost:**
    - **Overall 10% price reduction of delivered parts**
    - **Inventory pipeline savings of 50% or greater**
  - **Quality**
    - **No serious quality issues such as grinding burns**
    - **No more than XX% of parts provided outside specifications**
    - **Government review of processes at prime contractor teams**

Expectations Cont:

- **Delivery:**
  - **Administrative lead-time (ALT) reduced to two working days for pre-priced items (government responsible)**
  - **ALT reduced to 16 working days (receipt of PR to award) for non-pre-priced items**
  - **Production lead-time no more than 150 days for any item**
  - **Ability to provide accelerated delivery for 90% of all items within 15 days**
- **Customer and supplier relations:**
  - **A representative within 15 minutes of Hill AFB from each prime awardee**
  - **On-going, real-time sharing of government forecast and current requirements as they become known**
  - **Fewer contracts and contractors to administer**
  - **Significantly more time to develop business relationships**

Strategy

- **Strategy to Achieve Goals and Expectations:**
  - **Use streamlined acquisition, multiple award, ID/IQ contract**
  - **Length: 3 years with 2 ea one year options**
  - **Economic price adjustment ??**
  - **Spares: FFP**
  - **Repairs & Eng Svcs: FFP, CPFF & T&M**
  - **Award 3 to 6 prime contracts**
    - **Prime contractors will be expected to perform all or nearly all the scope of work with subcontractor team**
- **Small Business Set-Aside (SBSA)**
  - **NAICS 336413: 1,000 employees**
  - **Not a bundled requirement because it is a SBSA**
  - **Bundling justification process too lengthy**
- **One government belly-button – one PCO**
- **One prime belly-button – one representative**

Market Research/Early Industry Involvement

- FedBizOps
- Web page (http://www.hill.af.mil/lg2/LandingGear/) with:
  - Program concept
  - Contract award criteria
  - Responses to questions from Industry Day & Requests for Comment
  - Briefings
  - A list of qualified suppliers by NSN to permit teaming

Market Research/Early Industry Involvement

- **Draft SOW**
  - **Predominately spares**
  - **Engineering services**
  - **Repair**
  - **Metric requirements to report on-time delivery & quality**
- **Draft RFP**
  - **Each prime will receive their own basic contract**
  - **ID/IQ**
  - **Will list awarded items**
  - **Additionally awarded items will be added by modification after award**

Sub Teams & Qualification

- Subs must be approved sources of supply
- Subs may be added to Prime teams after award
- Source approval process remains unchanged

How Will Contracts Be Awarded (Notional)?

- Source selection procedures – not identified yet:
  - Source selection authority
  - Source selection advisory council
  - Source selection evaluation team
  - Performance risk assessment group
- Evaluation criteria will include:
  - Proposal risk
  - Mission capability
  - Past performance (prime & subs)
  - Cost / price evaluation

How Will Contracts Be Awarded (Notional)?

- **Constraints of award:**
  - **Minimum guarantee – ($??)**
  - **Awardees will not receive contract until first order is issued to meet the minimum guarantee**
  - **Basic contract will include awarded items**
  - **Items not initially awarded will be added by modification**

Weighting Evaluation Criteria

DELPHI: **Competitive Selection Process**

SAMPLE: For demonstration purposes only

Criterion	EC	SWF	A	B	C	D	E	F
1. Ability to perform all or nearly all the	M	9	2	5.5	8	4	3	2
scope of work - w/subcontract team			18	49.5	72	36	27	18
2. Experience/knowledge related to landing gear	D	5	3	3.5	5	2	1	1
technologies products, methods and/or disciplines			15	17.5	25	10	5	5
3. Experience/and strong performance record	D	4	4	4	4	2	2	1
performing similar tasks			16	16	16	8	8	4
4. Integrating capability as shown through	M	10	3	7	8	8	4	2
previous contracts performing similar work			30	70	80	80	40	20
5. Program manager and team have required skills	M	6	3	3	4	5	1	3
and demonstrated experience			18	18	24	30	6	18
Total			97	171	217	164	86	65

- ***Used to weight contractor technical responses to standardized criteria for critical award factors***
- ***Scores considered along with price/cost to determine Best Value***

- Contractors are listed across the top
- Criterion/requirements are listed down the left side
- Evaluation Class associated with criterion, either Mandatory (M), or Desirable (D)
- System Weight Factor (SWF) assigned. If “D” 1-5, if “M” 6-10

We Want to Compete, Now What?

- **Awards will be based on written response to selection criteria and may include oral presentations**
- **All known requirements will be competed and awarded with basic contract awards**
- **Ideally, each prime should be able to provide 100% of scope**
- **Best competing primes will be awarded a basic contract**
- **Competing primes and their teams not awarded contracts may join other primes**
- **Debriefings will be conducted with unsuccessful offerors**

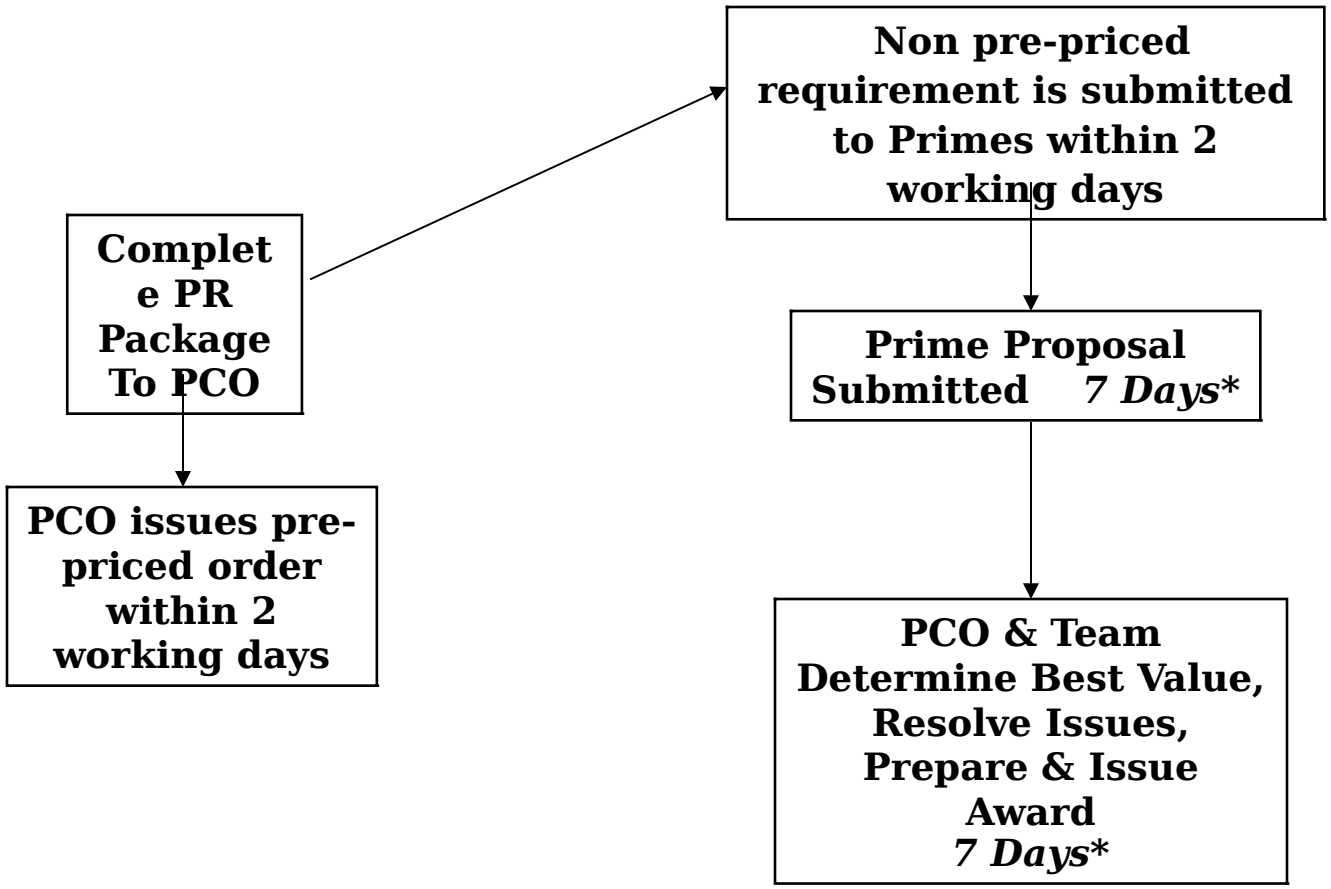
Contract Award Process

- **Event**
- **Material governance board strategy approval**
- **Draft RFP release**
- **Acquisition strategy panel**
- **SAMP approval**
- **CBD synopsis of formal RFP**
- **Presolicitation conference**
- **RFP release**
- **Past performance info received**
- **Written and / or oral presentations**

Contract Award Process (Cont:)

- **Event**
- **Discussions**
- **Clearance**
- **Final proposal revisions (if determined necessary)**
- **SSA decision**
- **Congressional notification**
- **Contract award**
- **Debriefings**

Delivery Order Award Process


Non pre-priced requirement is submitted to Primes within 2 working days
Complete PR Package To PCO
Prime Proposal Submitted 7 Days*
PCO issues pre-priced order within 2 working days
PCO & Team Determine Best Value, Resolve Issues, Prepare & Issue Award
7 Days*

* working days

Conclusions/Recommendations

- **Multiple award contracts:**
  - **Provide the best opportunity to achieve goals**
  - **Increases control of contracting results**
  - **Provides the best performance based incentives available**

- **Recommendations:**
  - **If you want to prime**
    - **Pick a high quality synergistic team**
  - **Subcontract**
    - **Find a good integrating contractor**
    - **Landing gear experience preferred but not necessary**

Questions??

Backup Slides

What Have We Done in the Past?

- Award on 1 ea basis, 6 mo to 1+ yrs ea
- Competitive, Strategic Source, Initiative K's
  - 18 Months to award 38 NSN's
  - One shot for five years
  - No teaming/partnering possibilities

What Have We Done in the Past?

“Before we have the CEO Supplier Summit, its clear we have a lot of work to do on developing a strategy for how we intend to pursue strategic sourcing and what we expect of industry. First we need to understand who all of suppliers are, where we have multiple contracts that could be bundled and then where we have suppliers from whom we are buying the same things and how to winnow those down to the minimum number and then we have to understand the contractual arrangements we have made and how to become the most discriminating customer in our choice of supplier and in our negotiating policy.”

General Martin AFMC/CC

10 April 2004

Closing

- We cannot conduct business as usual and meet the stated goals for transformation
- We presented a concept, streamlined, multi-award ID/IQ contract
  - The contract is not new but it has not been used for the purchase of spares
  - Using all small business set-asides as the primes is new but the only way to comply with law
  - Maximizes value for the Air Force
  - More money for selected suppliers
- No solution will satisfy all